

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

TOWN OF UPTON, MASSACHUSETTS

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended June 30, 2019

Report on Internal Control
Over Financial Reporting and
on Compliance and Other Matters
Year Ended June 30, 2019



TOWN OF UPTON, MASSACHUSETTS

TABLE OF CONTENTS YEAR ENDED JUNE 30, 2019

	Page(s)
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 9
 BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Governmental Funds Financial Statements:	
Balance Sheet	12
Reconciliation of the Balance Sheet Total Fund Balances to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Proprietary Funds Financial Statements:	
Statement of Net Position	16
Statement of Revenues, Expenses and Changes in Net Position	17
Statement of Cash Flows	18
Fiduciary Funds Financial Statements:	
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Net Position	20
Notes to the Financial Statements	21 – 46
 REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED	
Schedule of the Town's Proportionate Share of the Net Pension Liability	47
Schedule of the Town's Contributions to the Pension Plan	47
Schedule of Changes in Net OPEB Liability and Related Ratios	48
Schedule of Contributions to the OPEB Plan	49
Schedule of Investment Returns –OPEB Plan	49
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	50
Notes to Required Supplementary Information	51
 OTHER REPORTS:	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	52 – 53



INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Selectmen
Town of Upton, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Upton, Massachusetts, (the "Town") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Town as of June 30, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated December 11, 2019 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 11, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As the management of the Town of Upton, Massachusetts (the “Town”), we offer readers of the Town’s financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with their review of the basic financial statements, notes to the basic financial statements and required supplementary information.

Financial Highlights

- The Town’s downtown revitalization process continues to take shape. Through June 30, 2019, the Town had not yet expended significant funds for this project. However, the Town expects that it may incur significant engineering and design costs in the near future.
- The Town’s assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$55.6 million (*total net position*). This represents an increase of approximately \$2.1 million from the prior year. The Town reported increases of approximately \$1.6 million and \$0.5 million in its governmental and business-type activities, respectively, in fiscal year 2019.
- As of the close of the current fiscal year, the Town’s governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$12.2 million, which is an approximate \$1.6 million increase from the prior year. Each of the Town’s major funds reported increases in fund balances in fiscal year 2019. The Town’s general fund reported an increase in net position of approximately \$923,000 in fiscal year 2019, which was primarily the result of better than expected budgetary performance.
- Of the ending fund balance in the Town’s governmental funds, approximately \$4.4 million is *available for spending* at the government’s discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was over 20% percent of the total general fund expenditures and the total general fund balance was nearly 27% of the total general fund expenditures.
- The Town’s total long-term debt decreased by approximately \$1.1 million during the current fiscal year. This decrease was due to the normal, scheduled repayment of long-term obligations. The Town did not complete any long-term borrowings in fiscal year 2019. The Town’s short-term borrowings in the form of bond anticipation notes, or BANs, decreased \$50,000 in fiscal year 2019 to approximately \$1.7 million at June 30, 2019.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the Town's assets and deferred outflows of resources and its liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, highways and streets, sanitation, education through a regional district, community development, health and human services, culture and recreation, fringe benefits and debt service. The business-type activities of the Town include its water and sewer operations.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds and proprietary funds.

Governmental funds distinguish fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts are reported in the following classifications:

- Nonspendable—amounts that cannot be spent because they are either (a) not in spendable form (i.e., inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact.
- Restricted—amounts constrained by external parties, constitutional provision, or enabling legislation.
- Committed—amounts constrained by a government using its highest level of decision-making authority.
- Assigned—amounts a government intends to use for a particular purpose.
- Unassigned—amounts that are not constrained at all will be reported in the general fund.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

Reconciliations are provided in the basic financial statements to help the reader understand the differences.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the Community Preservation Fund. Data from the other governmental funds are combined into a single, aggregated presentation.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget. This schedule has been prepared as required supplementary information and can be found along with the corresponding notes to the financial statements.

Proprietary Funds. *Proprietary funds* are used to account for a government's ongoing organizations and activities which are similar to those often found in the private sector. The Town utilizes the proprietary funds to report activities of its enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its water and sewer activities.

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

The condensed comparative statements of net position for the two most recent fiscal years are as follows:

	Governmental Activities		Business-Type Activities		Total	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Assets:						
Current and other assets	\$ 14,639,037	\$ 13,009,007	\$ 2,768,127	\$ 3,619,116	\$ 17,407,164	\$ 16,628,123
Capital assets, net	<u>49,674,263</u>	<u>49,278,261</u>	<u>13,157,755</u>	<u>12,502,255</u>	<u>62,832,018</u>	<u>61,780,516</u>
Total Assets	<u>64,313,300</u>	<u>62,287,268</u>	<u>15,925,882</u>	<u>16,121,371</u>	<u>80,239,182</u>	<u>78,408,639</u>
Deferred Outflows of Resources	<u>1,560,370</u>	<u>1,216,901</u>	<u>168,980</u>	<u>136,605</u>	<u>1,729,350</u>	<u>1,353,506</u>
Liabilities:						
Long-term liabilities	17,836,507	17,396,245	4,696,047	5,361,066	22,532,554	22,757,311
Other liabilities	<u>1,848,650</u>	<u>1,182,885</u>	<u>1,320,324</u>	<u>1,257,309</u>	<u>3,168,974</u>	<u>2,440,194</u>
Total Liabilities	<u>19,685,157</u>	<u>18,579,130</u>	<u>6,016,371</u>	<u>6,618,375</u>	<u>25,701,528</u>	<u>25,197,505</u>
Deferred Inflows of Resources	<u>601,554</u>	<u>972,050</u>	<u>63,459</u>	<u>104,779</u>	<u>665,013</u>	<u>1,076,829</u>
Net Position:						
Net investment in capital assets	45,736,182	44,102,707	8,698,756	7,553,382	54,434,938	51,656,089
Restricted	<u>7,528,813</u>	<u>6,597,492</u>	<u>-</u>	<u>-</u>	<u>7,528,813</u>	<u>6,597,492</u>
Unrestricted	<u>(7,678,036)</u>	<u>(6,747,210)</u>	<u>1,316,276</u>	<u>1,981,440</u>	<u>(6,361,760)</u>	<u>(4,765,770)</u>
Total Net Position	<u>\$ 45,586,959</u>	<u>\$ 43,952,989</u>	<u>\$ 10,015,032</u>	<u>\$ 9,534,822</u>	<u>\$ 55,601,991</u>	<u>\$ 53,487,811</u>

The Town's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by over \$55.6 million (*total net position*). The Town reported a deficit of approximately \$7.7 million in its unrestricted net position in its governmental activities at June 30, 2019 primarily as the result of the recording of over \$14.3 million in long-term obligations associated with net OPEB and net pension liabilities.

The largest portion of the Town's net position reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt (netted down by those amounts expected to be reimbursed by the Commonwealth) used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position (approximately \$7.5 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance is referred to as *unrestricted net position* and may be used to meet the government's ongoing obligations to citizens and creditors.

The condensed comparative statements of activities for the two most recent fiscal years are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 1,503,026	\$ 1,301,854	\$ 1,757,640	\$ 1,705,941	\$ 3,260,666	\$ 3,007,795
Operating grants and contributions	483,418	482,576	-	-	483,418	482,576
Capital grants and contributions	1,792,200	569,643	8,170	24,280	1,800,370	593,923
General revenues:						
Property taxes	20,705,785	20,288,901	-	-	20,705,785	20,288,901
Excise taxes	1,353,695	1,297,729	-	-	1,353,695	1,297,729
Intergovernmental	550,495	531,879	-	-	550,495	531,879
Other	455,764	403,352	6,447	5,485	462,211	408,837
Total Revenues	26,844,383	24,875,934	1,772,257	1,735,706	28,616,640	26,611,640
Expenses:						
General government	2,023,707	2,094,653	-	-	2,023,707	2,094,653
Public safety	4,915,809	4,628,627	-	-	4,915,809	4,628,627
Education	12,916,549	12,617,986	-	-	12,916,549	12,617,986
Public works	3,491,148	3,319,894	-	-	3,491,148	3,319,894
Health and human services	542,608	438,166	-	-	542,608	438,166
Culture and recreation	769,517	529,579	-	-	769,517	529,579
Interest expense	230,311	191,658	-	181,631	230,311	373,289
Utility services	-	-	1,612,811	1,465,619	1,612,811	1,465,619
Total Expenses	24,889,649	23,820,563	1,612,811	1,647,250	26,502,460	25,467,813
Change in Net Position Before Transfers	1,954,734	1,055,371	159,446	88,456	2,114,180	1,143,827
Transfers	(320,764)	(293,098)	320,764	293,098	-	-
Change in Net Position	1,633,970	762,273	480,210	381,554	2,114,180	1,143,827
Net Position:						
Beginning of year	43,952,989	43,190,716	9,534,822	9,153,268	53,487,811	52,343,984
End of year	\$ 45,586,959	\$ 43,952,989	\$ 10,015,032	\$ 9,534,822	\$ 55,601,991	\$ 53,487,811

Governmental Activities. During fiscal year 2019, Town property taxes made up approximately 77% of total revenues versus nearly 82% in fiscal year 2018. In terms of gross dollars, property tax revenues increased nearly \$417,000, or 2%, year-over-year. The decrease in proportion of total revenues for property tax revenues was due primarily to the effects of three donated streets that the Town took possession of in fiscal year 2019. Excluding the effect of the value of these donated capital assets, property tax revenues would have represented approximately 80% of fiscal year 2019 total revenues. No other revenues were greater than 10% of total revenues in fiscal years 2019 or 2018.

The Town's largest expense category is education. Education expenses totaled approximately 52% and 53% of total annual expenditures in fiscal years 2019 and 2018, respectively. Public safety and public works expenses represented approximately 20% and 14% of total annual expenditures in fiscal year 2019, respectively; each of which was consistent with the prior year. The modest changes in each functional category was consistent with fluctuations in the allocations of non-cash OPEB and pension benefits. No other expense categories were greater than 10% in fiscal years 2019 or 2018. The remaining expense categories were consistent with the prior year.

Business-Type Activities. User charges represent the majority of the reported revenues in both fiscal years 2019 and 2018. In 2019, user charges increased modestly due to increases in consumption/usage. Expenses increased year-over-year due primarily to increased non-capitalizable engineering costs.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Town's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the Town's governmental funds balance sheet reported a combined ending fund balance surplus of nearly \$12.2 million, which is an approximate \$1.6 million increase from the prior year. Each of the Town's reported major funds reported increases in fund balances in fiscal year 2019, primarily as the result of better than expected budgetary performance. Of the ending fund balance, approximately \$4.4 million is *available for spending* at the government's discretion as *unassigned fund balance*. The remainder is earmarked for specific expenditures.

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, the unassigned fund balance of the general fund was nearly \$4.6 million, while total fund balance was approximately \$6.0 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents over 20% of total general fund expenditures, while total fund balance represents nearly 27% of that same amount.

The Town's Community Preservation Fund is restricted for historical preservation and conservation of open space. At June 30, 2019, the Community Preservation Fund balance had over \$2.2 million that is restricted in its use.

The remainder of the governmental funds are either (1) nonspendable as the corpus of an endowment in the amount of approximately \$130,000; (2) restricted due to constraints placed externally by third-parties in the amount of approximately \$4.0 million; or (3) reported as a deficit in the unassigned fund balance in the amount of approximately \$(127,000), which are expected to be satisfied through future grant receipts or from long-term borrowings.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At the end of the year, net position of the water and sewer enterprise funds were over \$10.0 million in the aggregate.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget were not significant. A budget to actual schedule for the general fund has been provided as required supplementary information.

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2019, the Town's investment in capital assets for its governmental and business-type activities approximated \$49.7 million and \$13.2 million, respectively. Net capital assets increased nearly \$1.1 million in fiscal year 2019 as current year capital additions exceeded depreciation expense. Additional information on the Town capital assets can be found in the notes to the financial statements.

Long-Term Debt. At the end of the current fiscal year, the Town had total long-term debt outstanding of approximately \$7.6 million, which represents a decrease of approximately \$1.1 million from the prior year. This decrease was due to the normal, scheduled repayment of long-term obligations. The Town did not complete any long-term borrowings in fiscal year 2019.

At June 30, 2019, the Town held a bond anticipation note payable totaling over \$1.7 million. Of this total, approximately \$712,000 pertains to general government infrastructure and fire equipment and \$1,000,000 pertains to a water main replacement project.

The Town's bond rating of "AA+" was set by Standard and Poor's Financial Services LLC in August 2013 and the Town continues to maintain this rating.

State statutes limit the amount of general obligation debt a governmental entity may issue to 5% of its total assessed valuation. The current debt limitation for the Town is approximately \$58.7 million, which significantly exceeds the Town's outstanding general obligation debt.

Additional information on the Town's debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The Town's real estate tax base is made up predominantly of residential taxes, which in 2019 are approximately 95% of the entire property tax levy. In addition, Chapter 580 of the Acts of 1980, more commonly referred to as Proposition 2 ½, limits the Town's ability to increase taxes in any one year by more than 2 ½% of the previous year's tax levy. The Town typically taxes at or near its levy limit annually.
- Employment rates, the median household income and values of its real property significantly outpace state-wide and national metrics.
- Net state aid for fiscal year 2020 is expected to increase to approximately \$793,000 from \$746,000 in fiscal year 2019.

Each of these factors were considered in preparing the Town's budget for the 2020 fiscal year, which was adopted at Town Meeting in May 2019. The fiscal year 2020 tax rate, which reflects the adopted budget, was set on November 20, 2019.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Office of the Town Manager, 1 Main Street, Upton, MA 01568.

TOWN OF UPTON, MASSACHUSETTS

STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 6,142,417	\$ 2,305,358	\$ 8,447,775
Investments	6,796,822	-	6,796,822
Receivables, net of allowances:			
Property taxes	1,101,667	-	1,101,667
Excise taxes	161,754	-	161,754
Departmental, user charges and other	78,217	462,769	540,986
Intergovernmental	358,160	-	358,160
Land	4,760,539	-	4,760,539
Construction in-progress	183,086	-	183,086
Depreciable capital assets, net	<u>44,730,638</u>	<u>13,157,755</u>	<u>57,888,393</u>
Total Assets	<u>64,313,300</u>	<u>15,925,882</u>	<u>80,239,182</u>
Deferred Outflows of Resources:			
Other postemployment benefits	323,288	29,998	353,286
Pensions	<u>1,237,082</u>	<u>138,982</u>	<u>1,376,064</u>
Total Deferred Outflows of Resources	<u>1,560,370</u>	<u>168,980</u>	<u>1,729,350</u>
Liabilities:			
Warrants and accounts payable	513,085	47,870	560,955
Accrued interest	36,438	19,454	55,892
Other liabilities	5,120	-	5,120
Bond anticipation note payable	712,007	1,000,000	1,712,007
Noncurrent liabilities:			
Due within one year	582,000	253,000	835,000
Due in more than one year	<u>17,836,507</u>	<u>4,696,047</u>	<u>22,532,554</u>
Total Liabilities	<u>19,685,157</u>	<u>6,016,371</u>	<u>25,701,528</u>
Deferred Inflows of Resources:			
Other postemployment benefits	214,508	19,975	234,483
Pensions	<u>387,046</u>	<u>43,484</u>	<u>430,530</u>
Total Deferred Inflows of Resources	<u>601,554</u>	<u>63,459</u>	<u>665,013</u>
Net Position:			
Net investment in capital assets	45,736,182	8,698,756	54,434,938
Restricted for:			
Nonexpendable permanent funds	129,709	-	129,709
Expendable permanent funds	3,176,669	-	3,176,669
Community preservation	2,230,770	-	2,230,770
Other purposes	1,991,665	-	1,991,665
Unrestricted	<u>(7,678,036)</u>	<u>1,316,276</u>	<u>(6,361,760)</u>
Total Net Position	<u>\$ 45,586,959</u>	<u>\$ 10,015,032</u>	<u>\$ 55,601,991</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-Type Activities	Total
			Grants and Contributions	Grants and Contributions			
Governmental Activities:							
General government	\$ 2,023,707	\$ 185,626	\$ 219,415	\$ 161,526	\$ (1,457,140)		\$ (1,457,140)
Public safety	4,915,809	688,228	140,063	43,000	(4,044,518)		(4,044,518)
Education	12,916,549	-	35,382	-	(12,881,167)		(12,881,167)
Public works	3,491,148	36,950	1,289	1,538,674	(1,914,235)		(1,914,235)
Health and human services	542,608	306,891	81,808	49,000	(104,909)		(104,909)
Culture and recreation	769,517	285,331	5,461	-	(478,725)		(478,725)
Interest expense	230,311	-	-	-	(230,311)		(230,311)
Total Governmental Activities	<u>24,889,649</u>	<u>1,503,026</u>	<u>483,418</u>	<u>1,792,200</u>	<u>(21,111,005)</u>		<u>(21,111,005)</u>
Business-Type Activities:							
Sewer	690,671	822,015	-	8,170	\$ 139,514		139,514
Water	922,140	935,625	-	-	13,485		13,485
Total Business-Type Activities	<u>1,612,811</u>	<u>1,757,640</u>	<u>-</u>	<u>8,170</u>	<u>152,999</u>		<u>152,999</u>
Total Primary Government	<u>\$ 26,502,460</u>	<u>\$ 3,260,666</u>	<u>\$ 483,418</u>	<u>\$ 1,800,370</u>		<u>152,999</u>	<u>(20,958,006)</u>
General Revenues:							
Property taxes				20,705,785	-		20,705,785
Motor vehicle excise taxes				1,353,695	-		1,353,695
Grants and contributions not restricted to specific programs				550,495	-		550,495
Penalties and interest on taxes				150,774	-		150,774
Unrestricted investment income				304,990	6,447		311,437
Transfers, net				(320,764)	320,764		-
Total General Revenues and Transfers				<u>22,744,975</u>	<u>327,211</u>		<u>23,072,186</u>
Change in Net Position				<u>1,633,970</u>	<u>480,210</u>		<u>2,114,180</u>
Net Position:							
Beginning of year				<u>43,952,989</u>	<u>9,534,822</u>		<u>53,487,811</u>
End of year				<u>\$ 45,586,959</u>	<u>\$ 10,015,032</u>		<u>\$ 55,601,991</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2019

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Assets:				
Cash and cash equivalents	\$ 4,246,743	\$ 690,057	\$ 1,205,617	\$ 6,142,417
Investments	1,960,743	1,540,725	3,295,354	6,796,822
Receivables, net of allowances:				
Property taxes	1,083,235	18,432	-	1,101,667
Excise taxes	161,754	-	-	161,754
Departmental, user charges and other	-	-	78,217	78,217
Intergovernmental	63,829	-	294,331	358,160
Total Assets	7,516,304	2,249,214	4,873,519	14,639,037
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 7,516,304	\$ 2,249,214	\$ 4,873,519	\$ 14,639,037
Liabilities:				
Warrants and accounts payable	\$ 394,480	\$ 12	\$ 118,593	\$ 513,085
Other liabilities	5,120	-	-	5,120
Bond anticipation note payable	-	-	712,007	712,007
Total Liabilities	399,600	12	830,600	1,230,212
Deferred Inflows of Resources:				
Unavailable revenues - property taxes	961,836	18,432	-	980,268
Unavailable revenues - other	161,754	-	78,217	239,971
Total Deferred Inflows of Resources	1,123,590	18,432	78,217	1,220,239
Fund Balances:				
Nonspendable	-	-	129,709	129,709
Restricted	203,738	2,230,770	3,961,724	6,396,232
Committed	1,209,720	-	-	1,209,720
Assigned	5,719	-	-	5,719
Unassigned	4,573,937	-	(126,731)	4,447,206
Total Fund Balances	5,993,114	2,230,770	3,964,702	12,188,586
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,516,304	\$ 2,249,214	\$ 4,873,519	\$ 14,639,037

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION AS OF
JUNE 30, 2019**

Total Governmental Fund Balances	\$ 12,188,586
Capital assets used in governmental activities in the statement of net position are not financial resources and, therefore, are not reported in the funds.	49,674,263
Certain receivables and revenues are deferred in the governmental funds as they are not current financial resources. These revenues are accrued under the economic resources basis of accounting.	1,220,239
Deferred outflows and inflows of resources to be recognized in future expense are not available resources and, therefore, are not reported in the funds:	
Deferred outflows of resources - other postemployment benefits	323,288
Deferred outflows of resources - pensions	1,237,082
Deferred inflows of resources - other postemployment benefits	(214,508)
Deferred inflows of resources - pensions	<u>(387,046)</u>
Net effect of reporting deferred outflows and inflows of resources	958,816
Interest is accrued on outstanding long-term debt in the statement of net position but not in the funds until due.	(36,438)
Long-term liabilities not currently due and payable are reported in the statement of net position and not in the funds:	
Net other postemployment benefits liability	(6,047,410)
Net pension liability	(8,260,097)
General obligation bonds payable	<u>(4,111,000)</u>
Net effect of reporting long-term liabilities	<u>(18,418,507)</u>
Net Position — Governmental Activities	<u>\$ 45,586,959</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2019

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Revenues :				
Property taxes, net of tax refunds	\$ 20,264,415	\$ 444,952	\$ -	\$ 20,709,367
Intergovernmental	846,074	161,526	634,208	1,641,808
Motor vehicle excise taxes	1,342,929	-	-	1,342,929
Licenses and permits	266,043	-	-	266,043
Penalties and interest on taxes	148,351	2,423	-	150,774
Fines and forfeitures	45,867	-	-	45,867
Departmental and other revenues	759,094	-	417,236	1,176,330
Contributions and donations	-	-	78,805	78,805
Investment income	82,141	78,449	144,400	304,990
Total Revenues	23,754,914	687,350	1,274,649	25,716,913
Expenditures:				
Current:				
General government	1,337,640	13,244	151,628	1,502,512
Public safety	3,194,240	-	138,381	3,332,621
Education	12,902,017	-	14,532	12,916,549
Public works	2,471,626	-	332,219	2,803,845
Health and human services	396,884	-	32,507	429,391
Culture and recreation	309,211	57,403	283,160	649,774
Pension and fringe benefits	1,386,048	-	-	1,386,048
State and county charges	58,803	-	-	58,803
Debt service:				
Principal	392,000	170,000	-	562,000
Interest	71,723	122,150	-	193,873
Total Expenditures	22,520,192	362,797	952,427	23,835,416
Excess of Revenues Over Expenditures	1,234,722	324,553	322,222	1,881,497
Other Financing Sources (Uses):				
Transfers in	64,300	-	55,000	119,300
Transfers out	(375,764)	-	(64,300)	(440,064)
Total Other Financing Sources (Uses)	(311,464)	-	(9,300)	(320,764)
Change in Fund Balances	923,258	324,553	312,922	1,560,733
Fund Balances:				
Beginning of the year	5,069,856	1,906,217	3,651,780	10,627,853
End of the year	<u>\$ 5,993,114</u>	<u>\$ 2,230,770</u>	<u>\$ 3,964,702</u>	<u>\$ 12,188,586</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balances — Total Governmental Funds	\$ 1,560,733
--	--------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and depreciated over their estimated useful lives. Capital asset activity in the current fiscal year included:

Capital asset additions	2,481,622
Depreciation expense	<u>(2,085,619)</u>
Net effect of reporting capital activity	396,003

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.

21,969

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither has any effect on net position. Also, the governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. Differences in the treatment of long-term debt transactions in the current fiscal year included:

Repayments of long-term debt	<u>562,000</u>
Net effect of reporting long-term debt activity	562,000

Some revenues/expenses reported in the statement of activities do not provide/require the use of current financial resources and therefore are not reported as revenues/expenses in the governmental funds:

Net other postemployment benefits liability	(380,523)
Net pension liability	(489,774)
Accrued interest	<u>(36,438)</u>
Net effect of reporting long-term liabilities	<u>(906,735)</u>

Change in Net Position — Governmental Activities	<u>\$ 1,633,970</u>
--	---------------------

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	Water	Sewer	Total
Assets:			
Current Assets:			
Cash and cash equivalents	\$ 1,453,945	\$ 851,413	\$ 2,305,358
Receivables, net of allowances	245,707	217,062	462,769
Total Current Assets	<u>1,699,652</u>	<u>1,068,475</u>	<u>2,768,127</u>
Noncurrent Assets:			
Depreciable capital assets, net	9,119,745	4,038,010	13,157,755
Total Noncurrent Assets	<u>9,119,745</u>	<u>4,038,010</u>	<u>13,157,755</u>
Total Assets	<u>10,819,397</u>	<u>5,106,485</u>	<u>15,925,882</u>
Deferred Outflows of Resources:			
Other postemployment benefits	11,984	18,014	29,998
Pensions	71,555	67,427	138,982
Total Deferred Outflows of Resources	<u>83,539</u>	<u>85,441</u>	<u>168,980</u>
Liabilities:			
Current Liabilities:			
Warrants and accounts payable	28,652	19,218	47,870
Accrued interest	17,045	2,409	19,454
Bond anticipation note payable	1,000,000	-	1,000,000
Current portion of long-term debt	240,940	12,060	253,000
Total Current Liabilities	<u>1,286,637</u>	<u>33,687</u>	<u>1,320,324</u>
Noncurrent liabilities:			
Net other postemployment benefits liability	231,584	330,466	562,050
Net pension liability	477,781	450,217	927,998
Long-term debt	3,068,179	137,820	3,205,999
Total Noncurrent Liabilities	<u>3,777,544</u>	<u>918,503</u>	<u>4,696,047</u>
Total Liabilities	<u>5,064,181</u>	<u>952,190</u>	<u>6,016,371</u>
Deferred Inflows of Resources:			
Other postemployment benefits	22,388	21,096	43,484
Pensions	8,020	11,955	19,975
Total Deferred Inflows of Resources	<u>30,408</u>	<u>33,051</u>	<u>63,459</u>
Net Position:			
Net investment in capital assets	4,810,626	3,888,130	8,698,756
Unrestricted	997,721	318,555	1,316,276
Total Net Position	<u>\$ 5,808,347</u>	<u>\$ 4,206,685</u>	<u>\$ 10,015,032</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2019

	Water	Sewer	Total
Operating Revenues:			
Charges for services	\$ 935,625	\$ 822,015	\$ 1,757,640
Operating Expenses:			
Payroll and personnel costs	302,128	267,906	570,034
Operating costs	299,406	327,474	626,880
Depreciation	<u>223,451</u>	<u>81,960</u>	<u>305,411</u>
Total Operating Expenses	<u>824,985</u>	<u>677,340</u>	<u>1,502,325</u>
Operating Income	<u>110,640</u>	<u>144,675</u>	<u>255,315</u>
Nonoperating Revenues (Expenses):			
Intergovernmental	-	8,170	8,170
Investment income	3,140	3,307	6,447
Interest expenses	<u>(97,155)</u>	<u>(13,331)</u>	<u>(110,486)</u>
Total Nonoperating Revenues (Expenses)	<u>(94,015)</u>	<u>(1,854)</u>	<u>(95,869)</u>
Income Before Transfers	<u>16,625</u>	<u>142,821</u>	<u>159,446</u>
Transfers in	<u>191,348</u>	<u>129,416</u>	<u>320,764</u>
Change in Net Position	<u>207,973</u>	<u>272,237</u>	<u>480,210</u>
Net Position:			
Beginning of the year	<u>5,600,374</u>	<u>3,934,448</u>	<u>9,534,822</u>
End of the year	<u>\$ 5,808,347</u>	<u>\$ 4,206,685</u>	<u>\$ 10,015,032</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Business-Type Activities		
	Water	Sewer	Total
Cash Flows from Operating Activities:			
Receipts from user charges	\$ 990,750	\$ 840,406	\$ 1,831,156
Payments to employees	(253,723)	(227,224)	(480,947)
Payments to vendors	(466,224)	(340,057)	(806,281)
Net Cash Provided By Operating Activities	<u>270,803</u>	<u>273,125</u>	<u>543,928</u>
Cash Flows from Noncapital Financial Activities:			
Proceeds from operating grants	-	8,170	8,170
Transfers in	<u>191,348</u>	<u>129,416</u>	<u>320,764</u>
Net Cash Provided By Noncapital Financing Activities	<u>191,348</u>	<u>137,586</u>	<u>328,934</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from capital grants	-	84,927	84,927
Proceeds from the issuance of short-term debt	1,000,000	-	1,000,000
Acquisition and construction of capital assets	(960,911)	-	(960,911)
Principal repayments on long-term debt	(236,800)	(338,000)	(574,800)
Interest payments	<u>(107,509)</u>	<u>(13,562)</u>	<u>(121,071)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(1,305,220)</u>	<u>(266,635)</u>	<u>(1,571,855)</u>
Cash Flow from Investing Activities:			
Investment income	<u>3,140</u>	<u>3,307</u>	<u>6,447</u>
Net Cash Provided By Investing Activities	<u>3,140</u>	<u>3,307</u>	<u>6,447</u>
Net Change in Cash and Cash Equivalents	<u>(839,929)</u>	<u>147,383</u>	<u>(692,546)</u>
Cash and Cash Equivalents:			
Beginning of the year	2,293,874	704,030	2,997,904
End of the year	<u>\$ 1,453,945</u>	<u>\$ 851,413</u>	<u>\$ 2,305,358</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income	\$ 110,640	\$ 144,675	\$ 255,315
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities:			
Depreciation expense	223,451	81,960	305,411
Changes in assets, deferred outflows (inflows) of resources and liabilities:			
Receivables and other current assets	55,125	18,391	73,516
Warrants payable and other current liabilities	(166,818)	(12,583)	(179,401)
Accrued and deferred benefits payable	<u>48,405</u>	<u>40,682</u>	<u>89,087</u>
Net Cash Provided By Operating Activities	<u>\$ 270,803</u>	<u>\$ 273,125</u>	<u>\$ 543,928</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2019

	OPEB Trust	Private Purpose Trust Funds	Agency Funds
Assets:			
Cash and cash equivalents	\$ 513	\$ 33,838	\$ 404,186
Investments at fair value:			
Equity securities	-	26,166	-
Mutual funds	564,630	1,411,234	-
Receivables	-	-	20,308
Total Assets	565,143	1,471,238	424,494
Liabilities:			
Warrants and accounts payable	-	-	8,952
Agency liabilities	-	-	415,542
Total Liabilities	-	-	\$ 424,494
Net Position:			
Restricted for other postemployment benefits	565,143	-	-
Held in trust for private purposes	-	1,471,238	-
Total Net Position	\$ 565,143	\$ 1,471,238	

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
JUNE 30, 2019

	OPEB Trust	Private Purpose Trust Funds
Additions:		
Employer contributions	\$ 207,334	\$ -
Investment income:		
Interest and dividends	1,491	42,086
Net appreciation in fair value of investments	29,987	22,391
Less investment management fees	<u>(2,899)</u>	<u>-</u>
Total net investment income	<u>28,579</u>	<u>64,477</u>
Total Additions	<u>235,913</u>	<u>64,477</u>
Deductions:		
Benefits to retirees and survivors	107,334	-
Public assistance:		
Scholarships	-	37,163
General public welfare	-	5,969
Total Deductions	<u>107,334</u>	<u>43,132</u>
Change in Net Position	<u>128,579</u>	<u>21,345</u>
Net Position:		
Beginning of the year	<u>436,564</u>	<u>1,449,893</u>
End of the year	<u>\$ 565,143</u>	<u>\$ 1,471,238</u>

See accompanying notes to basic financial statements.

TOWN OF UPTON, MASSACHUSETTS

NOTES TO BASIC FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

I. Summary of Significant Accounting Policies

The basic financial statements of the Town of Upton (the “Town”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to state and local governments. GAAP is prescribed by the Governmental Accounting Standards Board (“GASB”), which is the primary standard-setting body for state and local governmental entities. The following is a summary of the more significant policies and practices used by the Town.

A. Reporting Entity

The Town, which is located in Worcester County is approximately thirty-five miles southwest of Boston and fifteen miles southeast of Worcester and, was incorporated as a town in 1785. The governing structure utilizes an open town meeting format with an elected three-member Board of Selectmen, each of whom serve staggered three-year terms. An appointed Town Manager oversees the Town’s daily executive and administrative duties. The Town provides governmental services for the territory within its boundaries, including police and fire protection, public education in grades kindergarten to grade twelve through a regional district, library, water and sewer services, street maintenance, parks and recreational facilities. The water and sewer services are self-funded and treated as business enterprises.

Component units, while separate entities, are in substance part of the governmental operations if the significance of their operations and/or financial relationship with the Town meet certain criteria. Pursuant to these criteria there are no component units required to be included in the financial statements.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Major Fund Criteria – Major funds must be reported if both of the following criteria are met:

- 1) The total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10% of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), and

- 2) The total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5% of the corresponding element for all governmental and enterprise funds combined.

In addition, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded when a liability is incurred. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. The effects of interfund activity have, for the most part, been removed from the government-wide financial statements.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e. measurable and available). Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for interest on general long-term debt, which is recognized when payment is due, certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

The Town considers property tax revenues to be available if they are both material and collected within sixty days after the end of the fiscal year. Investment income associated with the current fiscal period is susceptible to accrual and has been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received and are recognized as revenue at that time.

The Town reports the following major governmental funds:

General Fund – is the government's primary operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Community Preservation Fund – is used to account for specific activities related to the purchase of land parcels within the Town for community preservation purposes as well as historical preservation.

The *nonmajor governmental funds* consist of special revenue, capital projects and permanent funds that are aggregated and presented in the nonmajor governmental funds column on the governmental funds financial statements. The following describes the general use of these fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Capital Projects Funds – are used to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

Permanent Funds – are used to account for financial resources that are restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are user charges and fees, while operating expenses consist of salaries, ordinary maintenance, assessments, indirect costs and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Town reports its water and sewer enterprises as major proprietary funds.

Fiduciary fund financial statements are reported using the *economic resources measurement focus* and use the *accrual basis of accounting*. Fiduciary funds are used to account for assets held in a trustee capacity and cannot be used to support the governmental programs. The Town reports the following fiduciary fund:

Private Purpose Trust Funds – are used to account for all trust arrangements under which the principal income generated from donated investments benefits private individuals and/or organizations and not the Town. The Town's private purpose trust funds are primarily used for scholarship and welfare programs.

Other Postemployment Benefits Trust Fund – is used to account for funds accumulated by the Town to assist it in its future other postemployment benefits, or OPEB, obligations.

Agency Funds – are used to account for funds received for and paid to other funds, individuals or organizations such as those held on deposit by the Town for various purposes including planning board deposits.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Equity

Deposits and Investments – The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the Town are reported at fair value.

Receivables – Real estate and personal property taxes are assessed on January 1 every year. Bills are sent quarterly and are due on August 1, November 1, February 1, and May 1, or thirty days subsequent to the mailing date. Interest accrues on delinquent taxes up to the statutory percentage rate per annum. Property taxes levied are recorded as receivables in the fiscal year of the levy. The Town is permitted to take delinquent tax accounts into tax titles fourteen days subsequent to the mailing of demand of delinquent taxes.

Real estate taxes, water and user fees are secured through a lien process in the second quarter of the following fiscal year and are generally considered 100% collectible. Accordingly, an allowance for uncollectible accounts for these receivables may not be reported. All personal property tax, excise tax and other departmental receivables are shown net of an allowance for uncollectible accounts, which are comprised of those outstanding amounts greater than five years old, if material.

Inventories and Prepaid Items – Inventories, which are not material to the basic financial statements, are considered to be expenditures at the time of purchase. Certain payments to vendors reflect costs applicable to future accounting periods and may be recorded as prepaid items in both government-wide and governmental fund financial statements.

Capital Assets – Capital assets, which include land, buildings and improvements, machinery and equipment, vehicles and infrastructure (e.g. roads, water and sewer mains and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Net interest incurred during the construction phase of capital assets of business-type activities, if material, is included as part of the capitalized value of the assets constructed.

All purchases and construction costs in excess of \$5,000 are capitalized at the date of acquisition or construction, if their expected lives are greater than two years. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets (excluding land and construction-in-process) are depreciated using the straight-line method over the following estimated useful lives:

Infrastructure	25 to 75 years
Buildings and improvements	20 to 50 years
Equipment, furniture, fixtures and vehicles	3 to 20 years

Interfund Balances – Activity between funds that are representative of lending arrangements outstanding at the end of the fiscal year are referred to as either *due to/from other funds* or *advances to/from other funds*. All other outstanding balances between funds are reported as due to/from other funds.

Residual balances outstanding, if any, between the governmental activities and business-type activities are reported in the government-wide financial statements as *internal balances*.

Interfund Transfers – During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out in the individual fund statements. Transfers between and within governmental and fiduciary funds are eliminated from the governmental activities in the statement of activities. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the statement of activities as *transfers, net*.

Investment Income – Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by state law. Investment income of the proprietary funds is retained by the respective funds.

Compensated Absences – The Town permits employees to accumulate earned but unused vacation benefits. Amounts related to these benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured. The Town has calculated the compensated absence obligation and determined that it is not material to the financial statements.

Long-Term Obligations – Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond anticipation notes payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, the face amount of long-term debt issued is reported as other financing sources. Premiums received on a debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are exclusively reported as general government expenditures regardless of whether they are withheld from the actual proceeds.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town reports items related to its net other postemployment benefits and pension liabilities as deferred outflows of resources in both its government-wide and business-type activities, which it expects to amortize into pension expense within the next five years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Town reports items related to its net other postemployment benefits and pension liabilities as deferred inflows of resources in both its government-wide and business-type activities, which it expects to amortize as a benefit into pension expense within the next five years. In its governmental fund financial statements, the Town reports *unavailable revenues* as deferred inflows of resources within the governmental funds balance sheet. Unavailable revenues are derived from three sources – property taxes, motor vehicle excise taxes and departmental revenues. The Town expects to recognize these items into revenue in the period(s) that these amounts become available.

Net Position – In the government-wide financial statements, net position reported as *net investment in capital assets* includes capital assets, net of accumulated depreciation, less the principal balance of outstanding debt used to acquire capital assets. Unspent proceeds of capital related debt are not considered to be capital related debt.

Net position is reported as restricted when amounts are not available for appropriation or are legally restricted by outside parties for a specific use. Net position has been *restricted* for the following:

Nonexpendable permanent funds represent the endowment portion of donor restricted trusts that support governmental programs.

Expendable funds represent the spendable, yet restricted, amount of various trust funds that support governmental programs.

Community preservation funds represent financial resources accumulated for community and historical preservation projects.

Other purposes represent assets that are restricted by donors for specific governmental programs and uses.

Fund Equity – The Town presents fund balances in its governmental funds using classifications that comprise a hierarchy based primarily on the extent in which the Town is required to honor constraints on the specific purpose for which amounts in the funds can be spent.

Fund balance is reported in five components – nonspendable, restricted, committed, assigned, and unassigned as described below:

Nonspendable represents amounts that cannot be spent because they are either (a) not in spendable form (i.e. inventory or prepaid expenses) or (b) legally or contractually required to be maintained intact such as the corpus of an endowment.

Restricted represents amounts that have constraints placed either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the Town to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority, which consists of the Town Meeting members through Town Meeting Votes. Those committed amounts cannot be used for any other purpose unless the Town Meeting removes or changes the specified use by taking the same type of action (through Town Meeting Votes) it employed previously to commit those amounts.

Assigned represents amounts that are constrained by the Town's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Town Meeting, Board of Selectmen or their designee.

Unassigned represents amounts that have not been restricted, committed or assigned to specific purposes within the Town's governmental funds, primarily its general fund.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources (committed, assigned and unassigned) as they are needed. When unrestricted resources (committed, assigned and unassigned) are available for use, it is the Town's policy to use committed resources first, then assigned, and then unassigned as they are needed. The Town has not established financial policies with respect to maintaining minimum fund balance amounts.

The following table reflects the Town's fund equity categorizations:

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Nonspendable:				
Permanent funds	\$ -	\$ -	\$ 129,709	\$ 129,709
Restricted:				
General government	-	2,230,770	300,353	2,531,123
Public safety	-	-	10,521	10,521
Public works	-	-	20,667	20,667
Health and human services	-	-	174,147	174,147
Culture and recreation	-	-	279,367	279,367
Debt service	2,776	-	-	2,776
Expendable trust funds	-	-	3,176,669	3,176,669
Capital stabilization funds	200,962	-	-	200,962
Committed:				
General government articles	107,408	-	-	107,408
Public safety articles	498,833	-	-	498,833
Public works articles	599,121	-	-	599,121
Other purposes	4,358	-	-	4,358
Assigned:				
Encumbrances	5,719	-	-	5,719
Unassigned:				
General stabilization	1,755,804	-	-	1,755,804
Unrestricted	2,818,133	-	(126,731)	2,691,402
	<u>\$ 5,993,114</u>	<u>\$ 2,230,770</u>	<u>\$ 3,964,702</u>	<u>\$ 12,188,586</u>

Stabilization Funds – The Town maintains a general stabilization fund, which may be used for any municipal purpose upon a two-thirds vote of the Town Meeting. The general stabilization fund’s balance is presented as unassigned in the general fund. The Town also maintains a capital stabilization fund, which may be used for capital purposes upon a two-thirds vote of the Town Meeting. This stabilization fund’s balance is presented as restricted in the general fund.

Encumbrances – The Town’s encumbrance policy regarding the general fund is to (1) classify encumbrances that arise from the issuance of purchase orders resulting from normal, approved purchasing activity as assigned, and (2) classify encumbrances that result from an action of the Town Meeting as committed. Encumbrances of funds already restricted, or committed are included within the classification of those fund balances and not reported separately.

E. Excess of Expenditures Over Appropriations and Deficits

During the fiscal year ended June 30, 2019, there were no instances where expenditures materially exceeded appropriations. The following deficits in nonmajor governmental funds will be funded in future years through grants, general obligations notes or other available sources:

Capital projects	\$ 115,436
Public safety grants	<u>11,295</u>
	<u><u>\$ 126,731</u></u>

F. Use of Estimates

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

II. Detailed Notes to All Funds

A. Deposits and Investments

A cash and investment pool is maintained that is available for use by all funds. Each fund type’s portion of this pool is displayed on the balance sheet as *cash and cash equivalents*. The deposits and investments of trust funds are held separately from those of other funds.

State laws and regulations require the Town to invest funds only in preapproved investment instruments which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements and the Massachusetts Municipal Depository Trust (the “MMDT”), which is administered by the Treasurer of the Commonwealth of Massachusetts (the “Commonwealth”). In addition, the statutes impose various limitations on the amount and length of investments and deposits. Repurchase agreements cannot be for a period of over ninety days, and the underlying security must be a United States obligation. During the fiscal year, the Town did not enter into any repurchase agreements.

Fair Value of Investments – The Town reports its investments at fair value. When actively quoted observable prices are not available, the Town generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The Town categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the Town's best estimate of what market participants would use in pricing the investment at the measurement date.

The following table presents the Town's investments carried at fair value on a recurring basis in the statement of net position at June 30, 2019:

Investments by Fair Value Level	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Debt securities:				
U.S. Treasury notes	\$ 342,259	\$ 342,259	\$ -	\$ -
U.S. Agency obligations	489,061	-	489,061	-
Corporate bonds	499,418	-	499,418	-
Total debt securities	1,330,738	342,259	988,479	-
Equity securities				
Mutual funds	236,152	236,152	-	-
Total investments by fair value level	5,271,219	-	5,271,219	-
Investments measured at amortized cost:				
MMDT	1,960,743			
Total investments at fair value	\$ 8,798,852			

All of the Town's investments in U.S Treasuries and equity securities were classified in Level 1 as each investment is quoted in an active market. Corporate bonds, U.S. government agency bonds are valued using matrix pricing based on the securities' relationship to benchmark quoted prices. The MMDT is valued at amortized cost, which approximates fair value.

Custodial Credit Risk: Deposits – In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town relies on private and federal depository insurance to mitigate this risk. At June 30, 2019, bank balances totaling \$398,826 were not covered by federal depository insurance or by other depositors' insurance programs and were therefore exposed to custodial credit risk.

Custodial Credit Risk: Investments – In the case of investments, this is the risk that in the event of the invested party not being able to provide required payments to investors, ceasing to exist, or filing of bankruptcy, the Town may not be able to recover the full amount of its principal investment and/or investment earnings. All of the Town’s investments are registered in its name and cannot be pledged or assigned. As a result, the Town is not exposed to custodial credit risk on its investments.

Interest Rate Risk: Investments – This is the risk that changes in interest rates will adversely affect the market value of an investment. The Town does not have formal investment policies that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In practice, the Town mitigates interest rate risk by managing the duration of its investments.

Concentration of Credit Risk: Investments – The Town does not place a limit on the amount that may be invested in any one issuer. At June 30, 2019, the Town’s investment in the MMDT represented approximately 22% of the Town’s total investment balance. No other individual investment exceeded 5% of the Town’s investment balance.

Investment Maturities – The Town had the following investments at June 30, 2019:

Investments	Fair Value	Maturity in Years		
		Less than Year	1 to 5 Years	6 to 10 Years
Debt securities:				
U.S. Government obligations	\$ 831,320	\$ 29,938	\$ 801,382	\$ -
Corporate fixed income	<u>499,418</u>	<u>94,762</u>	<u>404,656</u>	<u>-</u>
Total investments with maturities	<u>1,330,738</u>	<u>\$ 124,700</u>	<u>\$ 1,206,038</u>	<u>\$ -</u>
Other investments:				
Equity securities		236,152		
Mutual funds		5,271,219		
MMDT		<u>1,960,743</u>		
Total Investments		<u>\$ 8,798,852</u>		

Moody’s Investor Services, Inc. (“Moody’s) assigned the following ratings to fixed income securities held by the Town at June 30, 2019:

Moody's Rating	U.S. Government Obligations	Corporate Fixed Income	Total
Aaa	\$ 831,320	\$ -	\$ 831,320
A1	-	94,762	94,762
A2	-	64,648	64,648
A3	-	60,994	60,994
Baa1	<u>-</u>	<u>279,014</u>	<u>279,014</u>
	<u>\$ 831,320</u>	<u>\$ 499,418</u>	<u>\$ 1,330,738</u>

B. Receivables

Receivables as of June 30, 2019 for the Town's individual major and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
Property taxes	\$ 728,219	\$ -	\$ 728,219
Tax liens	423,448	(50,000)	373,448
Excise taxes	161,754	-	161,754
Ambulance	153,217	(75,000)	78,217
Intergovernmental	358,160	-	358,160
	<u>\$ 1,824,798</u>	<u>\$ (125,000)</u>	<u>\$ 1,699,798</u>

Receivables in the Town's proprietary funds consisted almost entirely of user charges receivable. No allowances for uncollectible accounts were reported in the Town's proprietary funds at June 30, 2019.

Governmental funds report unavailable revenues as a deferred inflow of resources. The following table identifies the components of unavailable revenues at June 30, 2019 in the governmental funds:

	General Fund	Community Preservation Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 594,369	\$ 12,451	\$ -	\$ 606,820
Tax liens	367,467	5,981	-	373,448
Excise taxes	161,754	-	-	161,754
Ambulance	-	-	78,217	78,217
	<u>\$ 1,123,590</u>	<u>\$ 18,432</u>	<u>\$ 78,217</u>	<u>\$ 1,220,239</u>

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 4,760,539	\$ -	\$ -	\$ 4,760,539
Construction in-progress	122,363	60,723	-	183,086
Total capital assets not being depreciated	<u>4,882,902</u>	<u>60,723</u>	<u>-</u>	<u>4,943,625</u>
Capital assets being depreciated:				
Buildings and improvements	12,251,828	40,000	-	12,291,828
Infrastructure	55,581,646	2,052,405	-	57,634,051
Machinery and equipment	1,853,423	123,940	-	1,977,363
Vehicles	3,239,090	204,554	(76,731)	3,366,913
Total capital assets being depreciated	<u>72,925,987</u>	<u>2,420,899</u>	<u>(76,731)</u>	<u>75,270,155</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,623,400)	(289,119)	-	(2,912,519)
Infrastructure	(22,375,998)	(1,416,540)	-	(23,792,538)
Machinery and equipment	(1,067,174)	(161,224)	-	(1,228,398)
Vehicles	(2,464,057)	(218,736)	76,731	(2,606,062)
Total accumulated depreciation	<u>(28,530,629)</u>	<u>(2,085,619)</u>	<u>76,731</u>	<u>(30,539,517)</u>
Total capital assets being depreciated, net	<u>44,395,358</u>	<u>335,280</u>	<u>-</u>	<u>44,730,638</u>
Governmental activities capital assets, net	<u>\$ 49,278,260</u>	<u>\$ 396,003</u>	<u>\$ -</u>	<u>\$ 49,674,263</u>
 Business-Type Activities:				
Capital assets not being depreciated:				
Construction in-progress	\$ 136,858	\$ -	\$ (136,858)	\$ -
Capital assets being depreciated:				
Buildings and improvements	5,069,582	-	-	5,069,582
Infrastructure	11,487,997	1,097,769	-	12,585,766
Vehicles and equipment	107,955	-	-	107,955
Total capital assets being depreciated	<u>16,665,534</u>	<u>1,097,769</u>	<u>-</u>	<u>17,763,303</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,560,938)	(64,547)	-	(1,625,485)
Infrastructure	(2,693,510)	(228,308)	-	(2,921,818)
Vehicles and equipment	(45,689)	(12,556)	-	(58,245)
Total accumulated depreciation	<u>(4,300,137)</u>	<u>(305,411)</u>	<u>-</u>	<u>(4,605,548)</u>
Total capital assets being depreciated, net	<u>12,365,397</u>	<u>792,358</u>	<u>-</u>	<u>13,157,755</u>
Business-type activities capital assets, net	<u>\$ 12,502,255</u>	<u>\$ 792,358</u>	<u>\$ (136,858)</u>	<u>\$ 13,157,755</u>

Capital asset activity for the fiscal year ended June 30, 2019 within the individual business-type activities was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities – Water:				
Capital assets not being depreciated:				
Construction in-progress	\$ 136,858	\$ -	\$ (136,858)	\$ -
Capital assets being depreciated:				
Buildings and improvements	702,021	-	-	702,021
Infrastructure	10,467,569	1,097,769	-	11,565,338
Vehicles and equipment	41,807	-	-	41,807
Total capital assets being depreciated	<u>11,211,397</u>	<u>1,097,769</u>	<u>-</u>	<u>12,309,166</u>
Less accumulated depreciation for:				
Buildings and improvements	(554,217)	(4,788)	-	(559,005)
Infrastructure	(2,379,848)	(214,702)	-	(2,594,550)
Vehicles and equipment	(31,905)	(3,961)	-	(35,866)
Total accumulated depreciation	<u>(2,965,970)</u>	<u>(223,451)</u>	<u>-</u>	<u>(3,189,421)</u>
Water capital assets, net	<u>\$ 8,382,285</u>	<u>\$ 874,318</u>	<u>\$ (136,858)</u>	<u>\$ 9,119,745</u>
Business-Type Activities – Sewer:				
Capital assets being depreciated:				
Buildings and improvements	\$ 4,367,561	\$ -	\$ -	\$ 4,367,561
Infrastructure	1,020,428	-	-	1,020,428
Vehicles and equipment	66,148	-	-	66,148
Total capital assets being depreciated	<u>5,454,137</u>	<u>-</u>	<u>-</u>	<u>5,454,137</u>
Less accumulated depreciation for:				
Buildings and improvements	(1,006,721)	(59,759)	-	(1,066,480)
Infrastructure	(313,662)	(13,606)	-	(327,268)
Vehicles and equipment	(13,784)	(8,595)	-	(22,379)
Total accumulated depreciation	<u>(1,334,167)</u>	<u>(81,960)</u>	<u>-</u>	<u>(1,416,127)</u>
Sewer capital assets, net	<u>\$ 4,119,970</u>	<u>\$ (81,960)</u>	<u>\$ -</u>	<u>\$ 4,038,010</u>

Depreciation expense was charged to functions/programs in governmental activities as follows:

General government	\$ 225,560
Public safety	309,289
Public works	1,526,008
Health and human services	400
Culture and recreation	<u>24,362</u>
	<u>\$ 2,085,619</u>

D. Interfund Receivables, Payables and Transfers

Interfund transfers for the fiscal year ended June 30, 2019 are summarized as follows:

Transfers Out	Transfers In					Total
	Nonmajor		Water	Sewer		
	General Fund	Governmental Funds	Enterprise Fund	Enterprise Fund		
General fund	\$ -	\$ 55,000	\$ 191,348	\$ 129,416	\$ 375,764	(1)
Nonmajor governmental funds	<u>64,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,300</u>	(2)
	<u><u>\$ 64,300</u></u>	<u><u>\$ 55,000</u></u>	<u><u>\$ 191,348</u></u>	<u><u>\$ 129,416</u></u>	<u><u>\$ 440,064</u></u>	

(1) \$50,000 was transferred to capital projects for debt service; \$5,000 was transferred to the conservation trust; and \$320,764 was transferred to the enterprise funds for operations.

(2) Budgeted transfer into general fund from receipts reserved revolving fund.

There were no interfund receivables or payables at June 30, 2019.

E. Temporary Debt

The Town is authorized to borrow on a temporary basis to fund the following:

Current Operating Costs – Prior to the collection of revenues, expenditures may be financed through the issuance of tax anticipation notes.

Capital Projects and Other Approved Costs – Projects may be temporarily funded through the issuance of bond anticipation notes or state aid anticipation notes. In certain cases, prior to the issuance of these temporary notes, the governing body must take the necessary legal steps to authorize the issuance of the general obligation bonds. Temporary notes may not exceed the aggregate amount of bonds authorized or the grant award amount. Temporary notes are general obligations of the Town and carry maturity dates that are limited by state law.

Temporary notes activity for fiscal year 2019 was as follows:

Type	Interest Rate	Maturity Date	Balance				Balance June 30, 2019
			July 1, 2018	Additions	Retirements	Rollovers	
BAN	1.95%	matured	\$ 1,762,007	\$ -	\$ (50,000)	\$ (1,712,007)	\$ -
BAN	1.95%	5/24/19	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,712,007</u>	<u>1,712,007</u>
			<u><u>\$ 1,762,007</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (50,000)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,712,007</u></u>

The proceeds of the BAN were used to finance the following:

Fire truck	\$ 112,007
Fowler Street bridge	600,000
Water mains	<u>1,000,000</u>
	<u><u>\$ 1,712,007</u></u>

F. Long-Term Obligations

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital assets. General obligation bonds and notes have been issued for both governmental and business-type activities. In addition, the Town incurs various other long-term obligations relative to post-retirement personnel costs.

The following reflects the activity in the long-term liability accounts during the fiscal year ended June 30, 2019:

Description of Issue	Beginning Balance	Additions	Deletions	Ending Balance	Due within one year
Governmental Activities:					
General obligation bonds	\$ 4,673,000	\$ -	\$ (562,000)	\$ 4,111,000	\$ 582,000
Net other postemployment benefits liability	5,314,623	1,150,944	(418,157)	6,047,410	-
Net pension liability	7,408,622	2,957,066	(2,105,591)	8,260,097	-
Total Governmental Activities	<u>\$ 17,396,245</u>	<u>\$ 4,108,010</u>	<u>\$ (3,085,748)</u>	<u>\$ 18,418,507</u>	<u>\$ 582,000</u>
Business-Type Activities:					
Water:					
General obligation bonds	\$ 3,545,920	\$ -	\$ (236,800)	\$ 3,309,120	\$ 240,940
Net other postemployment benefits liability	198,720	50,320	(17,456)	231,584	-
Net pension liability	428,530	171,043	(121,792)	477,781	-
Business-Type Activities: Water	<u>4,173,170</u>	<u>221,363</u>	<u>(376,048)</u>	<u>4,018,485</u>	<u>240,940</u>
Sewer:					
General obligation bonds	\$ 161,080	\$ -	\$ (11,200)	\$ 149,880	\$ 12,060
Notes from direct borrowings and placements	326,800	-	(326,800)	-	-
Net other postemployment benefits liability	296,209	61,499	(27,242)	330,466	-
Net pension liability	403,807	161,175	(114,765)	450,217	-
Business-Type Activities: Sewer	<u>1,187,896</u>	<u>222,674</u>	<u>(480,007)</u>	<u>930,563</u>	<u>12,060</u>
Total Business-Type Activities	<u>\$ 5,361,066</u>	<u>\$ 444,037</u>	<u>\$ (856,055)</u>	<u>\$ 4,949,048</u>	<u>\$ 253,000</u>

Long-term debt obligations outstanding at June 30, 2019 are as follows:

Description	Interest Rates	Beginning Balance	Additions	Maturities and Retirements	Ending Balance
Governmental Activities:					
General obligation bonds	2.00 - 5.00%	\$ 4,673,000	\$ -	\$ (562,000)	\$ 4,111,000
Total Governmental Activities		<u>\$ 4,673,000</u>	<u>\$ -</u>	<u>\$ (562,000)</u>	<u>\$ 4,111,000</u>
Business-Type Activities – Water					
General obligation bonds	1.75 - 5.00%	\$ 3,545,920	\$ -	\$ (236,800)	\$ 3,309,120
Business-Type Activities – Sewer					
General obligation bond	3.50 - 5.00%	161,080	-	(11,200)	149,880
MCWT Note	1.25%	326,800	-	(326,800)	-
Sewer		487,880	-	(338,000)	149,880
Total Business-Type Activities		<u>\$ 4,033,800</u>	<u>\$ -</u>	<u>\$ (574,800)</u>	<u>\$ 3,459,000</u>

Debt service requirements on long-term debt at June 30, 2019 are as follows:

Year Ending June 30,	Governmental Activities		Business-Type Activities	
	General Obligation Bonds		General Obligation Bonds	
	Balance	Interest	Balance	Interest
2020	\$ 582,000	\$ 147,678	\$ 253,000	\$ 96,175
2021	237,000	123,107	283,000	88,840
2022	242,000	116,061	288,000	80,980
2023	210,000	109,350	265,000	73,362
2024	215,000	102,975	270,000	65,987
2025 - 2029	1,190,000	398,838	1,305,000	213,188
2030 - 2034	<u>1,435,000</u>	<u>148,100</u>	<u>795,000</u>	<u>54,863</u>
	<u>\$ 4,111,000</u>	<u>\$ 1,146,109</u>	<u>\$ 3,459,000</u>	<u>\$ 673,395</u>
Water				
Year Ending June 30,	General Obligation Bonds		General Obligation Bonds	
	Balance	Interest	Balance	Interest
	2020	\$ 240,940	\$ 90,920	\$ 12,060
2021	265,770	84,188	17,230	4,652
2022	270,770	76,888	17,230	4,092
2023	247,770	69,830	17,230	3,532
2024	252,770	63,015	17,230	2,972
2025 - 2029	1,236,100	207,157	68,900	6,031
2030 - 2033	<u>795,000</u>	<u>54,863</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,309,120</u>	<u>\$ 646,861</u>	<u>\$ 149,880</u>	<u>\$ 26,534</u>

Authorized and Unissued Debt – At June 30, 2019, the Town had authorized and unissued debt totaling \$878,702 for road projects subject to state reimbursement, \$575,000 for a fire rescue truck and \$300,000 for water main replacements.

III. Other Information

A. Retirement System

Pension Plan Description – The Town is a member and contributes to the Worcester Regional Retirement System (the “Retirement System”), a cost-sharing multiple-employer defined benefit pension plan. The Retirement System was established under Chapter 32 of Massachusetts General Laws (“MGL”). The Retirement System is administered by the Worcester Regional Retirement Board (the “Retirement Board”). Stand-alone financial statements for the year ended December 31, 2018 were issued and are available by submitting a request to the Retirement System at 23 Midstate Drive, Suite 106, Auburn, Massachusetts 01501.

Current membership in the Retirement System for all ninety-nine employers as of December 31, 2018 was as follows:

Active members	7,815
Inactive members entitled to, but not receiving benefits	1,839
Inactive members (or beneficiaries) currently receiving benefits	<u>3,837</u>
	<u>13,491</u>

Benefit Terms – Membership in the Retirement System is mandatory for all full-time employees and non-seasonal, part-time employees who, in general, regularly work more than twenty hours per week. Members of the Retirement System do not participate in the federal Social Security retirement system.

Massachusetts contributory retirement system benefits are uniform from retirement system to system. The Retirement System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest three-year or five-year average annual rate of regular compensation, depending on the participant's date of hire. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and job classification.

The most common benefits paid by the Retirement System include normal retirement, disability retirement and survivor benefits.

Normal retirement generally occurs at age 65. However, participants may retire after twenty years of service or at any time after attaining age 55, if hired prior to April 2, 2012 or at any time after attaining age 60 if hired on or after April 2, 2012. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55. Participants become vested after ten years of service. Benefits commencing before age 65 are provided at a reduced rate. Members working in certain occupations may retire with full benefits earlier than age 65.

Ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. Accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status.

Survivor benefits are extended to eligible beneficiaries of participants whose death occurs prior to or following retirement.

Cost-of-living adjustments granted to members of Massachusetts retirement systems granted between 1981 and 1997 and any increases in other benefits imposed by the Commonwealth during those years have been the financial responsibility of the Commonwealth. Beginning in 1998, the funding of cost-of-living amounts became the responsibility of the participating units like the Retirement System.

The Retirement System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the Retirement System's benefit terms in fiscal year 2019.

Contributions Requirements – The Retirement Board has elected provisions of Chapter 32, Section 22D (as amended) of MGL, which require that a funding schedule be established to fully fund the pension plan by June 30, 2040. Under provisions of this law, participating employers are assessed their share of the total retirement cost based on the entry age, normal actuarial cost method.

The Town contributed \$564,142 to the Retirement System in fiscal year 2019, which equaled the actuarially-determined contribution requirement for the fiscal year. The Town's contributions as a percentage of covered payroll was approximately 14% in fiscal year 2019.

Net Pension Liability – At June 30, 2019, the Town reported a liability of \$9,188,095 for its proportionate share of the net pension liability. The net pension liability was measured as of January 1, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These figures were updated by the independent actuary to December 31, 2018. There were no material changes to the Retirement System's benefit terms since the actuarial valuation. There were no material changes to the actuarial assumptions made in this update (see below).

The Town's proportion of the net pension liability is based on a projection of the Town's long-term share of contributions to the Retirement System relative to the projected contributions of all employers. The Town's proportion was approximately 1.01% at December 31, 2018 and 2017.

Fiduciary Net Position – The elements of the Retirement System's basic financial statements (that is, all information about the Retirement System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position) can be found in the Retirement System's full financial statements as of and for the year ended December 31, 2018, which can be obtained by contacting the Retirement Board.

The Retirement System's fiduciary net position was determined using the accrual basis of accounting. The Retirement System's accounting records are maintained on a calendar-year basis in accordance with the standards and procedures established by the Massachusetts Public Employee Retirement Administration Commission, or PERAC. Contributions from employers and employees are recognized in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Benefit payments (including refunds of employee contributions) are recorded when incurred, regardless of the timing of payment. Investments are reported at fair value; fair value is determined as the price one would receive in an orderly transaction between market participants at a measurement date.

Pension Expense – The Town recognized \$1,108,943 in pension expense in the statement of activities in fiscal year 2019.

Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,726	\$ 68,112
Changes of assumptions	570,912	-
Net difference between projected and actual earnings on pension plan investments	345,684	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	<u>418,742</u>	<u>362,418</u>
	<u><u>\$ 1,376,064</u></u>	<u><u>\$ 430,530</u></u>

The deferred outflows of resources and deferred inflows of resources are expected to be recognized in the Town's pension expense as follows:

Year ended June 30,

2020	\$ 366,009
2021	270,037
2022	181,399
2023	140,660
2024	<u>(12,571)</u>
	<u><u>\$ 945,534</u></u>

Actuarial Valuation – The measurement of the Retirement System's total pension liability is developed by an independent actuary. The latest actuarial valuation was performed as of January 1, 2018. The significant actuarial assumptions used in the actuarial valuation included:

Inflation	3.0% per year
Amortization method	Payment increases 4.0% per year
Remaining amortization period	17 years, except for ERI for 2002 and 2003 (10 years) and 2010 (4 years)
Asset valuation method	Market value
Salary increases	Group 1: 4.25% - 6.00%, based on service Group 4: 4.75% - 7.00%, based on service
Investment rate of return	7.75%, net of pension plan investment expenses, including inflation
Mortality rates	Based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB
Disabled life mortality	For disabled lives, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the Retirement System's target allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return
Global equity	39%	4.75%
Fixed income	23%	2.28%
Private equity	13%	8.15%
Real estate	10%	3.43%
Timber/natural resources	4%	4.00%
Hedge funds	11%	3.76%

Discount Rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made in accordance with Sections 22D and 22F of Chapter 32 of MGL. Based on those assumptions, the Retirement System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis – The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as the Town's proportionate share of the net pension liability using a discount rate that is one percentage point lower (6.75%) or one percentage point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current (7.75%)	1% Increase (8.75%)
Town's proportionate share of the net pension liability	\$ 11,067,634	\$ 9,188,095	\$ 7,600,269

B. Risk Financing

The Town is exposed to various risks of loss related to torts; theft, damage, and destruction of assets; errors and omissions; natural disasters; and various employee benefits including health, worker's compensation, and unemployment compensation. The Town carries commercial insurance to better mitigate these risks. The amount of claim settlements has not exceeded insurance coverage in any of the past three years.

C. Other Postemployment Benefits

The Town administers a single-employer defined benefit healthcare plan (the “OPEB Plan”). The OPEB Plan provides health and life insurance benefits (other postemployment benefits, or OPEB) to current and future retirees, their dependents and beneficiaries in accordance with Section 20 of Massachusetts General Law Chapter 32B.

Specific benefit provisions and contribution rates are established by collective bargaining agreements, state law and Town ordinance. All benefits are provided through the Town’s premium-based insurance program. The OPEB Plan does not issue a stand-alone financial report and is presented as a fiduciary fund in the Town’s financial statements. OPEB Plan disclosures can be found in this footnote disclosure.

Employees Covered by Benefit Terms – The following employees were covered by the benefit terms as of June 30, 2019:

Inactive employees or beneficiaries receiving benefits	21
Active employees	<u>57</u>
	<u><u>78</u></u>

Contributions – The contribution requirements of OPEB Plan members and the Town are established and may be amended by the Town. Retirees contribute 50% of the calculated contribution through pension benefit deductions and the remainder of the cost is funded by the Town. The Town currently contributes enough money to the Plan to satisfy current obligations on a pay-as-you-go basis plus additional contributions in varying amounts annually. The costs of administering the OPEB Plan are paid by the Town. For the year ended June 30, 2019, the Town’s average contribution rate was 5% of covered payroll.

Net OPEB Liability – The Town’s net OPEB liability was determined using an actuarial valuation as of July 1, 2017 and a measurement date of June 30, 2019. The components of the net OPEB liability of the Town at June 30, 2019 were as follows:

Total OPEB liability	\$ 7,174,603
Plan fiduciary net position	<u>(565,143)</u>
Net OPEB liability	<u><u>\$ 6,609,460</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	7.88%

The total OPEB liability in the most recent actuarial valuation was determined using the following key actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Individual entry age normal
Asset valuation method	Market value of assets as of reporting date
Investment rate of return	7.5%, net of investment expenses
Single equivalent discount rate	3.6%, net of investment expenses, including inflation
Healthcare cost trend rates	8.0% for 2017, decreasing 0.5% per year to 5.5%, then grading down to an ultimate trend rate of 3.8% in 2075
Pre-retirement mortality	RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009
Post-retirement mortality	RP-2000 Healthy Annuitant Mortality Table projected generationally with Scale BB and a base year 2009

The long-term expected rate of return on OPEB Plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	31%	5.92%
International equity	21%	2.73%
Domestic bond	22%	3.69%
International bond	6%	3.80%
Alternatives	20%	3.50%
Cash and cash equivalents	0%	0.00%

Discount Rate – The discount rate used to measure the total OPEB liability was 3.6%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the OPEB Plan’s funding policy. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to the first nine periods of projected future benefit payments and the 3.5% municipal bond rate was applied to all periods thereafter to determine the total OPEB liability.

Changes in the Net OPEB Liability – The following table summarizes the changes in the net OPEB liability for the year ended June 30, 2019:

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at June 30, 2018	\$ 6,246,116	\$ 436,564	\$ 5,809,552
Changes for the year:			
Service cost	390,635	-	390,635
Interest	258,057	-	258,057
Changes in assumptions	387,129	-	387,129
Employer contributions	-	207,334	(207,334)
Net investment income	-	28,579	(28,579)
Benefit payments	(107,334)	(107,334)	-
Net changes	<u>928,487</u>	<u>128,579</u>	<u>799,908</u>
Balances at June 30, 2019	<u><u>\$ 7,174,603</u></u>	<u><u>\$ 565,143</u></u>	<u><u>\$ 6,609,460</u></u>

Sensitivity Analyses – The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current discount rate:

	1% Decrease (2.6%)	Current Discount (3.6%)	1% Increase (4.6%)
Net OPEB liability	\$ 8,045,297	\$ 6,609,460	\$ 5,494,710

The following presents the Town's net OPEB liability as well as what the Town's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.0% lower or 1.0% higher than the current healthcare cost trend rates:

	Healthcare Cost		
	1% Decrease (7.0% decreasing to 2.8%)	Trend Rates (8.0% decreasing to 3.8%)	1% Increase (9.0% decreasing to 4.8%)
Net OPEB liability	\$ 5,138,162	\$ 6,609,460	\$ 8,727,287

OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB – For the year ended June 30, 2019, the Town recognized OPEB expense of \$621,918. Deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2019 were reported as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	339,687	234,483
Net difference between projected and actual earnings on OPEB Plan investments	<u>13,599</u>	<u>-</u>
	<u><u>\$ 353,286</u></u>	<u><u>\$ 234,483</u></u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,

2020	\$ 13,154
2021	13,154
2022	13,153
2023	11,646
2024	9,377
Thereafter	<u>58,319</u>
	<u><u>\$ 118,803</u></u>

Investment Custody – In accordance with Massachusetts General Laws, the Town Treasurer is the custodian of the OPEB Plan and since the Town has not designated a Board of Trustees, the Town Treasurer is also the Trustee and as such is responsible for the general supervision of the management, investment and reinvestment of the OPEB Plan assets. OPEB Plan assets may be invested and reinvested by the custodian consistent with the prudent investor rule established in Chapter 203C and may, with the approval of the State Retiree Benefits Trust Fund Board of Trustees, be invested in the State Retiree Benefits Trust Fund established in Section 24 of Chapter 32A. OPEB Plan assets must be segregated from other funds and not be subject to the claims of any general creditor of the Town.

Investment Policy – The OPEB Plan has a formal investment policy that it adopted in 2012. The OPEB Plan invests its funds in permissible investments as stipulated by the Commonwealth.

Investment Rate of Return – For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 5.42%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

D. Commitments and Contingencies

General – The Town is party to certain legal claims, including legal claims associated with its personnel, which are subject to many uncertainties, and the outcome of individual litigation matters is not always predictable with assurance. Although the amount of liability at June 30, 2019 cannot be determined, management believes that any resulting liability, if any, should not materially affect the basic financial statements of the Town at June 30, 2019.

Appellate Tax Board – The Town has pending cases filed with the Massachusetts Appellate Tax Board of the Commonwealth of Massachusetts (“ATB”). In total, the assessed values for ATB cases total approximately \$4.7 million at June 30, 2019 and consists entirely of challenged personal property tax values by telephone and telegraph companies.

The Town cannot estimate at this time the amount of previously assessed property taxes (and interest) that may be refunded to these tax payers, if any. Furthermore, the Town cannot determine the likelihood of the taxpayers’ success at the ATB. Therefore, no loss provision has been made in the Town’s basic financial statements.

Grant Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, would not have a material effect on its financial condition.

IV. Implementation of New GASB Pronouncements

A. Current Year Implementations

In November 2016, the GASB issued GASB Statement No. 83, *Certain Asset Retirement Obligations*. The objective of the Statement was to address accounting and financial reporting for certain asset retirement obligations that have legally enforceable liability associated with the retirement of a tangible capital asset. The provisions of this Statement became effective in fiscal year 2019 and did not have a material impact on the Town’s financial statements.

In April 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. The objective of this Statement was to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarified which liabilities governments should include when disclosing information related to debt. The provisions of this Statement became effective in fiscal year 2019 and did not have a material impact on the Town’s financial statements.

B. Future Year Implementations

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The objective of the Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how these activities should be reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. This Statement redefines the manner in which long-term leases are accounted and reported. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement establishes accounting requirements for interest costs incurred before the end of a construction period. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2019 (fiscal year 2021). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In August 2018, the GASB issued GASB Statement No. 90, *Majority Equity Interest – An Amendment of GASB Statements No. 14 and No. 61*. The objective of this Statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2018 (fiscal year 2020). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations*. The objective of this Statement is to standardize the reporting of conduit debt obligations by issuers by clarifying the existing definition of conduit debt obligation, among other matters. The provisions of this Statement are effective for financial reporting periods beginning after December 15, 2020 (fiscal year 2022). The Town is currently evaluating whether adoption will have a material impact on the financial statements.

* * * * *

TOWN OF UPTON MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION
TOWN PENSION PLAN

SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(dollar amounts are in thousands)

	2019	2018	2017	2016	2015
Town's proportion of the net pension liability	1.013%	1.011%	0.926%	0.923%	1.108%
Town's proportionate share of the net pension liability	\$ 9,188	\$ 8,241	\$ 7,759	\$ 6,548	\$ 6,593
Town's covered payroll	\$ 3,910	\$ 3,364	\$ 3,590	\$ 3,378	\$ 3,248
Town's proportionate share of the net pension liability as a percentage of its covered payroll	235.0%	245.0%	216.1%	193.8%	203.0%
Plan fiduciary net position as a percentage of the total net pension liability	43.1%	46.4%	42.0%	47.9%	47.9%

SCHEDULE OF THE TOWN'S CONTRIBUTIONS TO THE PENSION PLAN
(dollar amounts are in thousands)

	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 564	\$ 511	\$ 450	\$ 415	\$ 438
Contributions in relation to the actuarially determined contribution	<u>564</u>	<u>511</u>	<u>450</u>	<u>415</u>	<u>438</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Town's covered payroll	\$ 3,910	\$ 3,364	\$ 3,590	\$ 3,378	\$ 3,248
Contributions as a percentage of covered payroll	14.4%	15.2%	12.5%	12.3%	13.5%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF UPTON MASSACHUSETTS

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS PLAN**

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

	Year Ended June 30,	
	2019	2018
Total OPEB Liability:		
Service cost	\$ 390,635	\$ 406,421
Interest	258,057	231,662
Changes in assumptions	387,129	(310,613)
Benefit payments	<u>(107,334)</u>	<u>(77,923)</u>
Net Change in Total OPEB Liability	<u>928,487</u>	<u>249,547</u>
Total OPEB Liability:		
Beginning of year	<u>6,246,116</u>	<u>5,996,569</u>
End of year (a)	<u>\$ 7,174,603</u>	<u>\$ 6,246,116</u>
Plan Fiduciary Net Position:		
Contributions	\$ 207,334	\$ 177,923
Net investment income	28,579	19,664
Benefit payments	<u>(107,334)</u>	<u>(77,923)</u>
Net Change in Plan Fiduciary Net Position	<u>128,579</u>	<u>119,664</u>
Plan Fiduciary Net Position:		
Beginning of year	<u>436,564</u>	<u>316,900</u>
End of year (b)	<u>\$ 565,143</u>	<u>\$ 436,564</u>
Net OPEB Liability — End of Year	<u>\$ 6,609,460</u>	<u>\$ 5,809,552</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	7.88%	6.99%
Covered payroll	\$ 4,555,893	\$ 3,462,872
Net OPEB Liability as a Percentage of Covered Payroll	145.07%	167.77%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF UPTON MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION OTHER POSTEMPLOYMENT BENEFITS PLAN

SCHEDULE OF CONTRIBUTIONS

	Year Ended June 30,	
	2019	2018
Actuarially determined contribution	\$ 738,260	\$ 735,509
Contributions in relation to the actuarially determined contribution	<u>(207,334)</u>	<u>(177,923)</u>
Contribution deficiency (excess)	<u>\$ 530,926</u>	<u>\$ 557,586</u>
Covered payroll	\$ 4,555,893	\$ 3,462,872
Contribution as a percentage of covered payroll	4.55%	5.14%

Notes to Schedule:

Valuation date	July 1, 2017
Actuarial cost method	Individual entry age normal
Asset valuation method	Market value of the assets as of the reporting date
Investment rate of return	7.5% net of OPEB Plan investment expenses, including inflation
Single equivalent discount rate	3.6% per annum, net of investment expenses, including inflation
Healthcare cost trend rates	8.0% for 2017, decreasing 0.5% per year to 5.5%, then grading down to an ultimate trend rate of 3.8% in 2075
Pre-retirement mortality	RP-2000 Employees Mortality Table projected generationally with Scale BB and a base year 2009
Post-retirement mortality	RP-2000 Health Annuitant Mortality Table projected generationally with Scale BB and a base year 2009

SCHEDULE OF INVESTMENT RETURNS

	Year Ended June 30,	
	2019	2018
Annual money-weighted rate of return, net of investment expenses	5.42%	5.22%

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

TOWN OF UPTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual		Actual	Positive
	Original Budget	Final Budget	Budgetary Amounts	Encumbrances	Budgetary Adjusted	(Negative) Variance
Revenues :						
Property taxes, net of tax refunds	\$ 20,008,925	\$ 20,186,425	\$ 20,260,478		\$ 20,260,478	\$ 74,053
Intergovernmental	795,595	795,595	846,074		846,074	50,479
Motor vehicle and other excise taxes	1,050,000	1,050,000	1,342,929		1,342,929	292,929
Licenses and permits	150,000	150,000	266,043		266,043	116,043
Penalties and interest on taxes	115,000	115,000	148,351		148,351	33,351
Fines and forfeitures	31,000	31,000	45,867		45,867	14,867
Departmental and other revenues	608,650	608,650	759,094		759,094	150,444
Investment income	10,000	10,000	41,013		41,013	31,013
Total Revenues	22,769,170	22,946,670	23,709,849		23,709,849	763,179
Expenditures:						
General government	1,423,162	1,502,162	1,337,640	\$ 107,739	1,445,379	56,783
Public safety	3,263,611	3,787,346	3,194,240	\$ 504,221	3,698,461	88,885
Education	12,903,765	12,903,765	12,902,017	-	12,902,017	1,748
Public works	2,766,186	3,169,278	2,471,626	\$ 599,121	3,070,747	98,531
Health and human services	387,041	437,041	396,884	4,358	401,242	35,799
Culture and recreation	322,380	322,380	309,211	-	309,211	13,169
Pension and fringe benefits	1,603,408	1,603,408	1,386,048	-	1,386,048	217,360
State and county charges	58,803	58,803	58,803	-	58,803	-
Debt service	453,974	464,239	463,723	-	463,723	516
Total Expenditures	23,182,330	24,248,422	22,520,192	1,215,439	23,735,631	512,791
Other Financing Sources (Uses):						
Transfers in	64,300	64,300	64,300		64,300	-
Transfers out	(375,764)	(875,764)	(875,764)		(875,764)	-
Total Other Financing Sources (Uses)	(311,464)	(811,464)	(811,464)		(811,464)	-
(Deficiency) Excess of Revenues and Other Financing Sources Over Expenditures/Use of Prior Year						
Budgetary Fund Balance	(724,624)	(2,113,216)	\$ 378,193		\$ (837,246)	\$ 1,275,970
Other Budgetary Items:						
Prior year encumbrances	724,624	724,624				
Free cash	-	1,388,592				
Total Other Budgetary Items	724,624	2,113,216				
Net Budget	\$ -	\$ -				

See notes to required supplementary information.

See accompanying independent auditors' report.

TOWN OF UPTON, MASSACHUSETTS

REQUIRED SUPPLEMENTARY INFORMATION YEAR ENDED JUNE 30, 2019

Budgetary Basis of Accounting

An annual budget is legally adopted for the general fund and enterprise funds. Financial orders are initiated by the Town Manager, recommended by the Town Finance Committee and approved by Town Meeting at the Town's annual meeting in each spring. Expenditures may not legally exceed appropriations at the department level or in the categories of personnel and non-personnel expenses. Department heads may transfer, without Town Meeting approval, appropriation balances from one account to another within their department or budget, and within the categories of personnel and non-personnel. The Town Meeting must approve any transfer of unencumbered appropriation balances between departments. At the close of each fiscal year, unencumbered appropriation balances lapse and revert to unassigned fund balance.

The Town's general fund is prepared on a basis of accounting other than GAAP. The "actual" results column of the Schedule of Revenues, Expenditures and Changes in Fund Equity – Budgetary Basis is presented on a budgetary basis to provide meaningful comparison with the budget.

A reconciliation of reported balances is provided below:

	Accounting Differences	Fund Perspective Differences	Total
Revenue — budgetary basis			\$ 23,709,849
Revenue recognition adjustments	\$ 3,937	\$ -	3,937
Stabilization revenue	<u>-</u>	<u>41,128</u>	<u>41,128</u>
Revenue — GAAP basis	<u>\$ 3,937</u>	<u>\$ 41,128</u>	<u>\$ 23,754,914</u>
Other Financing Sources (Uses) — budgetary basis			\$ (811,464)
Transfer treatment	<u>\$ -</u>	<u>\$ 500,000</u>	<u>500,000</u>
Other Financing Sources (Uses) — GAAP basis	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ (311,464)</u>



ROSELLI, CLARK & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

500 West Cummings Park
Suite 4900
Woburn, MA 01801

Telephone: (781) 933-0073
www.roselliclark.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

The Honorable Members of the Board of Selectmen
Town of Upton, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Upton, Massachusetts (the “Town”), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town’s basic financial statements and have issued our report thereon dated December 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Town’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Roselli, Clark & Associates". The signature is fluid and cursive, with "Roselli" on the first line, "Clark" on the second line, and "& Associates" on the third line.

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
December 11, 2019